

**Federal Energy Regulatory Commission
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Chairman, New York Independent System Operator
Management Committee**

Good afternoon, my name is Joseph P. Oates and I am the Consolidated Edison Company of New York's Vice President of Bronx and Westchester. I am also the Chairman of the New York Independent System Operator Management Committee. I thank you on behalf of all of the stakeholders for coming to New York for a technical conference on wholesale power market design issues. My remarks are general in nature, and I offer them as an overview for today's discussion. Individual market participants may not necessarily agree entirely with my points and I'm sure they'll let you know this afternoon where they don't!

In New York, we believe that many of the elements of the proposed market design already exist here. We have been operating wholesale electricity markets for about 4 years now, and are living

proof that many of the elements work – locational pricing, transmission congestion contracts (TCCs), capacity markets, and market power monitoring. As I’m sure you’ve heard (and will hear later today) there are different opinions about the ways New York can improve these elements, but despite these opinions, the fact is that our markets are working. While New York is still an evolving market, we believe we offer – in addition to PJM – a very good model of what works. In the first four years, our markets, not surprisingly, have had some growing pains. We have also weathered an industry financial crisis and lately, a blackout. In spite of all of these challenges, the New York market still works well.

I think all market participants support the need nationally, for at least some degree of regional flexibility, as we recognize that in many instances the physical nature of our electric system is different than in other parts of the country, which sometimes requires us to do things differently. What works for one area may not exactly work in ours. But while we agree that this is an important feature, we also want to remind the Commission that we need to be mindful of

standardization and seams issues as well, since the geographic boundaries set forth by the Northeast and Mid-Atlantic ISOs may not be the same boundaries that the power system follows, and it is critically important that all markets work well together.

I am also here to tell you that most parties believe that the governance process we have set up in New York generally works well. Through the Management Committee, we continuously evaluate and periodically update market rules, and make changes that are needed to keep our markets working effectively. There are many issues that we deal with that make their way to you, the Commission, and at times the Commission has to be the arbitrator to help us decide controversial issues. But it is important to recognize that these issues are only a fraction of all of the issues that we address through our stakeholder process. With more than 30 committees, working groups and task forces, all chaired by stakeholders with full administrative and technical support of the NYISO staff, we make needed changes all of the time. Many of these changes are, in the end, generally agreed-upon and make their

way to the Commission without any controversy. Of course, as we continue to make additional changes to our markets and our processes, we will identify some issues ourselves, and some issues will be directed by the Commission. Some will be controversial, and some will not. But no matter, we look forward to working closely with the Commission to continue our successful markets.

As I close, I would like to leave you with three important points to consider as we begin the panel discussions.

1. The NYISO already has implemented the elements of the proposed wholesale power market design, and that New York should be heralded as an example of how the market design can work well. In fact, we do some things, like simultaneous co-optimization of energy and ancillary services that is superior to any other ISO.
2. The stakeholder process usually works well for most market participants. We see them working together to compromise and reach consensus on many issues. I should also note that market participants generally have a

good working relationship with NYISO staff and the Board. All of these contribute to a better understanding of the issues from many points of view.

3. The issues that you see coming forth from the NYISO stakeholder process are but a fraction of all of the issues that we work through each day, and if it seems like we always have lots of comments and diverging opinions on issues, please remember that we are New Yorkers – there is no shortage of thoughts, opinions, or forthrightness here.

Thank you for this opportunity to share these remarks with you.

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